FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 14, 2006

In Reply Refer To:
Northwest Pipeline Corporation
Docket No. RP06-394-000

Northwest Pipeline Corporation
P.O. Box 58900
Salt Lake City, UT 84158-0900

Attention: Gary K. Kotter
Manager, Certificates and Tariffs

Reference: Letter Order Conditionally Accepting Tariff Revisions

Dear Mr. Kotter:

1. On June 16, 2006, Northwest Pipeline Corporation (Northwest) filed revised tariff sheets proposing to change its load-factor-based discounted reservation rate option under Rate Schedule TF-1, and to change the Rate Schedule TF-1 Form of Service Agreement to reflect that revision as well as additional discounted reservation rate parameters. As discussed below, the revised tariff sheets[1] are accepted for filing, subject to conditions, effective on July 16, 2006, as requested.

2. Northwest states that the discount rate options set forth in section 3.5 in Rate Schedule TF-1 currently include a load-factor-based discounted reservation rate that is equal to a stated amount per Dth times the actual daily load factor for a shipper's use of its contract demand. Northwest asserts that it rarely uses this load-factor-based discount option to market available capacity, because a shipper with such a rate could avoid paying Northwest for contracted capacity. Northwest explains that a shipper could release its capacity and eliminate its payment obligation to Northwest because its load factor usage would be zero, while at the same time the releasing shipper would retain the right to credits for all reservation revenues paid by the replacement shipper. To close this "revenue responsibility loophole," Northwest proposes to revise the discount rate option

[1] Ninth Revised Sheet No. 19-A, Third Revised Sheet Nos. 302-C and Third Revised Sheet No. 302-D to its FERC Gas Tariff, Third Revised Volume No. 1.

in section 3.5 to specify that the actual daily load factor, up to 100 percent, will be based on the aggregate use of a shipper's contract demand by the shipper and by any capacity release replacement shippers.[2]

3. Northwest also proposes to revise Exhibit A (Base Contract Version) of the Rate Schedule TF-1 Form of Service Agreement to reflect the revised load-factor-based discounted rate option and to provide several new “fill-in-the-blank” choices. The “fill-in-the-blank choices include: (1) a percent of maximum tariff rate under the load factor based discounted rate option, (2) a percent of maximum tariff rate under the fixed discount rate option, (3) a fixed dollar amount less than the maximum tariff rate under the fixed discount rate option, (4) a specified time period(s) for the various discounted rate options, and (5) explicit clarification that various combinations of the discounted rate options and specified time periods for these options may be used as many times as needed to define a specific discounted recourse rate transaction.

4. Northwest states that the additional "fill-in-the-blank" choices will provide more contracting flexibility to Northwest and its shippers, and that it intends to modify its electronic contracting and billing system to allow multiple discount rates to apply under a contract consistent with the revisions proposed for Exhibit A of the Form of Service Agreement. However, Northwest states that it will not enter into contracts using the proposed additional discounted rate flexibility until the necessary programming can be completed in Northwest Passage, which is the interactive software used to conduct electronic data transactions on Northwest's internet website.

5. The Commission finds that the changes to Northwest’s Form of Service Agreement should increase contracting flexibility for both Northwest and its customers. The Commission also finds that the change to section 3.5 of Rate Schedule TF-1 may be necessary to insure Northwest receives compensation for transportation services rendered. However, it is not clear how such load-factor-based discounts would operate, and whether a release of capacity under such a contract is appropriate. Usage rate or load-factor-based rate releases are allowed as long as the underlying contract rate is a two part rate (and not a one-part rate), but we cannot determine from Northwest’s filing whether the underlying rate is a two-part rate. Accordingly, our acceptance of this provision is conditioned on Northwest explaining how a releasing shipper can eliminate its payment obligation to Northwest for contracted capacity. Further, if no payment is due when the shipper moves no gas or releases the capacity for use by a replacement shipper, Northwest should explain how the underlying rate is not a one-part rate and how such a contract would qualify for capacity release under current Commission policy. Northwest must file this requested information within ten days from the date of issuance

[2] Alternatively, Northwest states that it could propose a tariff change to preclude releases of capacity subject to a load-factor-based discount.

of this order.

6. Public notice of this filing was issued on June 23, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. §385.214 (2005)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were received.

7. The Commission accepts the revised tariff sheets to be effective on July 16, 2006, as requested, subject to the conditions discussed above and our further review of Northwest's explanations.

By direction of the Commission.

Magalie R. Salas,
Secretary.